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FISCAL IMPACT STATEMENT

LS 6147

BILL NUMBER: SB 30

NOTE PREPARED: Feb 22, 2010

BILL AMENDED: Feb 22, 2010

SUBJECT: PERF and TRF Benefits.

FIRST AUTHOR: Sen. Boots

FIRST SPONSOR: Rep. Niezgodski

BILL STATUS: 2nd Reading - 2nd House

**FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill:

(1) provides that certain members of the Public Employees' Retirement Fund (PERF) and the Indiana Teachers' Retirement Fund (TRF) may withdraw the member's annuity savings account (ASA) if the member has separated employment and is not employed in a covered position for 30 days. (Current law provides that such members must have separated employment and not be in a covered position for 90 days.);

(2) removes the requirement that certain members must be either a member of: (A) PERF after December 31, 2008; or (B) TRF after June 30, 2009; in order to request a distribution from the member's ASA;

(3) authorizes the PERF and TRF to adopt rules to allow a member that designates more than one beneficiary to allocate benefit shares in percentage increments;

(4) provides that, before July 1, 2012, an active member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) who is eligible to receive an unreduced retirement benefit may elect to receive at retirement a partial lump sum distribution equal to the member's monthly benefit times the member's years of creditable service in exchange for an actuarially reduced monthly benefit;

(5) provides that an annual cost-of-living adjustment (COLA) for monthly retirement benefits received by a member or survivor of the 1977 Fund may not be used to decrease the member's monthly benefit;

(6) requires the PERF Board of Trustees, one time before January 1, 2015, and every five years thereafter, to evaluate statewide physical and mental examination standards used by the 1977 Fund;

(7) makes a technical correction to resolve conflicting language;

(8) eliminates references to the Treasurer of State's duties concerning the following pension funds administered by PERF: (A) Legislators' Retirement System. (B) Judges' Retirement System. (C) Prosecuting Attorneys Retirement Fund. (D) 1977 Police Officers' and Firefighters' Retirement and Disability Fund. (In 2009 the Treasurer of State's role as treasurer of PERF was eliminated and those duties were assigned to the PERF board and executive director.)

(9) provides that a member of PERF or TRF may petition the board of trustees of the member's fund (board) to correct an error in a determination of the member's: (A) creditable service; or (B) benefit; at any time; (10) provides that if the board does not find an error in the determination and the member petitioned the board within six years after the determination, the member may appeal the board's decision under the administrative orders and procedures law; (11) updates language concerning the TRF Board's distribution of TRF's investment earnings; and (12) provides that, for TRF and funds managed by PERF, records concerning: (A) mandatory public retirement fund contributions that are paid by the state or another employer on behalf of, and are individually identifiable to, a fund member; and (B) the amount of an employer paid retirement or disability benefit; are public records.

(The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: Upon passage; July 1, 2010.

Explanation of State Expenditures: (1) Withdrawal of a PERF or TRF member's ASA under certain circumstances will have no fiscal impact.

(2) Removing the requirement that certain members must be either a member of: (1) PERF after December 31, 2008; or (2) TRF after June 30 will have no fiscal impact.

(3) Authorizing PERF and TRF to adopt rules to allow a member that designates more than one beneficiary to allocate benefit shares in percentage increments will have no fiscal impact.

(4) This part provides for a partial lump sum distribution equal to the member's monthly benefit times the member's years of creditable service in exchange for an actuarially reduced monthly benefit. The monthly benefit that a member would be entitled to receive would be reduced by the actuarial equivalent monthly benefit of the partial lump sum. Since this benefit option is actuarially equivalent to the retirement benefit that the member would receive without the option, there would be no actuarial fiscal impact.

(5) Providing that an annual COLA for a member or survivor of the 1977 Fund may not be used to decrease the member's monthly benefit likely will have no significant actuarial fiscal impact. A decrease in the Consumer Price Index (CPI) is very rare (there has been no such decrease since the inception of the Fund until this year).

(6) Requiring the PERF Board of Trustees to evaluate statewide physical and mental examination standards used by the 1977 Fund will be covered with existing resources. The fund affected is the Administrative Fund of PERF.

(8) Removing the Treasurer of State as the conduit for funds allows PERF to receive employee and employer contributions faster, allowing for quicker investment on PERF's part.

(9) and (10) Correcting of Errors- The specific impact will depend on the number and the dollar amount of any corrections made by the respective funds. It provides that an error may be corrected at any time. The funds affected are the benefit funds of PERF and TRF.

(11) Updating language concerning the TRF Board's distribution of TRF's investment earnings conforms to TRF's current practices.

(Revised) (12) This bill provides that, for TRF and funds managed by PERF, records concerning: (A) mandatory public retirement fund contributions that are paid by the state or another employer on behalf of, and are individually identifiable to, a fund member; and (B) the amount of an employer paid retirement or disability benefit; are public records.

This provision affects the following funds: (1) the Legislators' Retirement System; (2) the state Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan ; (3) PERF; (4) TRF; (5) the Judges' Retirement System; (6) the Prosecuting Attorneys' Retirement Fund; and (7) the 1977 Police Officers' and Firefighters' Pension and Disability Fund. With the exception of TRF, all other funds are managed by the Public Employees' Retirement Fund.

The specific expenditures for the affected funds are not known at this time. Depending upon any changes required to the respective computer systems to make the data a matter of public record, the impact could be minimal or significant. The data to comply with this part currently are available. The funds affected for TRF and PERF are their respective administrative funds.

Explanation of State Revenues:

Explanation of Local Expenditures: (5) Providing that an annual COLA for a member or survivor of the 1977 Fund may not be used to decrease the member's monthly benefit likely will have no significant actuarial fiscal impact. A decrease in the Consumer Price Index (CPI) is very rare (there has been no such decrease since the inception of the Fund until this year).

Explanation of Local Revenues:

State Agencies Affected: PERF; TRF; Treasurer of State.

Local Agencies Affected: Those units with members in the 1977 Police Officers' and Firefighters' Pension and Disability Fund, PERF, and TRF.

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF, 576-1508; Steve Barley, Chief Operating Officer and Deputy Director, 317-233-3184; Katharyn Cimera, Chief Legal Counsel, PERF, 317-234-6222; Julia Pogue, Chief Financial Officer, TRF, 317-234-1591.

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DEFINITIONS

Actuarial Equivalent: If the present values of two series of payments are equal, taking into account a given interest rate and mortality according to a given table, the two services are said to be actuarially equivalent. For example, under a given set of actuarial assumptions, a lifetime mortality benefit of \$67.60 beginning at age 60 can be said to be the actuarial equivalent of \$100 a month beginning at age 65. The actual benefit amounts are different, but the present values of the two benefits, considering mortality and interest, are the same.

Annual Cost-of-Living Adjustment: An across-the-board increase (or decrease) in wages or pension benefits according to the rise (or fall) in the cost of living as measured by some index, often the Consumer Price Index (CPI).

Consumer Price Index– The consumer price index is the name given in both the United States and Canada to the series of numbers whose ratios measure the relative prices at various times of a selected group of goods and services which typify those bought by urban families.